REMARKS

General

Claims 1-42 are pending in the application. Claims 1-42 stand rejected. Claims 1, 22, 37, and 38 are amended as discussed below.

No new matter is added by this amendment.

Rejections under 35 USC § 102(b)

Claims 1-3, 7-15, 18-19, 22-31, 33, 35, and 37-39, of which claims 1, 22, 37, and 38 are independent, stand rejected as allegedly being anticipated under 35 USC § 102(b) by Paul D. Hayward, *Income Trusts: A "Tax-Efficient" Product or the Product of Tax Inefficiency*, Canadian Tax Journal, Vol. 50, Iss. 5, pp. 1529 ff., Toronto, 2002, reprinted at http://proquest.umi.com, referred to in the Office action as "Canadian Tax Journal." (All page references are to the internet printout provided with the Office action.) The rejection is traversed as to the claims now presented.

As a preliminary matter, it is not admitted that Canadian Tax Journal is prior art against the claims of the present application. The citation to 35 U.S.C. § 102(e) is incorrect, because Canadian Tax Journal is not a U.S. Patent or Patent Application. The date of publication of Canadian Tax Journal has not been established, but there were six issues of Canadian Tax Journal in 2005, so Issue 5 was probably in the fall of 2005 and, to the extent that the present application is entitled to its provisional priority date, Canadian Tax Journal is not prior art under § 102(b). Without prejudice to any date of invention that the present Applicants may be able to establish, Canadian Tax Journal is treated *arguendo* for the purposes of this response as if it were prior art under §102(a).

Canadian Tax Journal describes a scheme for creating securities that are in substance equity, but the income on which has the more favorable tax treatment accorded under Canadian law at that time to interest payments. The bundling Fund holds both equity and high-interest unsecured debt notes in the Operating Company. The real investors buy units in the Fund. Thus, the investors have the voting and other privileges of equity holders, but all their income is in the form of income distributions by the Fund generated by the interest income from the notes. The fact that the notes are a new tier of debt ranking above the equity does not matter, as long as they

are bundled so that the note holders (nominally the Fund, but effectively the investors holding Fund units) are identical to the equity holders (likewise effectively the investors holding Fund units), and outrank only themselves. The fact that the equity now pays little or no dividend does not matter, as long as the effective equity shareholders are also the effective note holders, and are thus receiving the interest that replaces their dividends. However, because the creation of the notes has greatly reduced the value of the equity, this only works as long as all the equity is bundled with notes to form Fund units, and all the real investors hold Fund units that represent notes as well as equity. As pointed out in numbered paragraph 8 on page 10 of Canadian Tax Journal, the Fund owned 100 percent of the common shares and 100 percent of the notes. In that system, the Fund *must* own 100 percent of the common shares and 100 percent of the notes, because the value of any shares or notes not bundled together is so distorted. Thus, the underlying securities (equity and notes) cannot be publicly traded, because they are 100% held by the Fund, so there are none left to trade.

The systems and methods of the present application as now claimed, in contrast, are intended to provide a vehicle for investment in a bundle of existing securities of an existing entity. At least one type of the underlying securities are publicly listed, and remain publicly listed while the bundled instrument is in existence. That constrains the bundled instrument security to including only a certain (usually small) fraction of the publicly traded underlying securities, because stock exchanges will not maintain a public listing unless certain minimum requirements for the number and value of shares in circulation and the number of shareholders are met. That constraint is usually beneficial, because the continued existence of a public market in the underlying securities fosters an objective valuation and an objective value for the bundled instrument independently of the bundler.

Support for the amended claims is found at least in:

Paragraph [0022], last sentence, and paragraph [0028], second sentence, which require that a market continues to exist in the underlying equity shares and notes/bonds, from which a price can be obtained.

Paragraph [0028], third and fourth sentences, which require that the bundled instrument security must respond to events such as stock splits and redemptions affecting the underlying security after the bundled instrument security has been created.

Paragraph [0030], last sentence, describing a bundled instrument security based on stocks with large capitalization and high trading volume.

Paragraphs [0035] to [0037] and claim 17, directly comparing the market price spreads of the bundled instrument securities and the underlying securities.

Fig. 6 and paragraphs [0049] and [0050], showing the trading price of the bundled instrument security in parallel with the prices of its underlying securities.

There is no disclosure or suggestion in Canadian Tax Journal of the systems and methods now claimed, in which the bundled instrument security bundles underlying securities at least one type of which are publicly traded, and continue to be publicly traded while the bundled instrument security is in existence. For all of the above reasons, it is believed that claims 1, 22, 37, and 38, together with dependent claims 2-3, 7-15, 18-19, 23-31, 33, 35, and 39, as now presented, are not only novel but also non-obvious over Canadian Tax Journal.

Rejections under 35 USC § 103

Claims 4-6 and 34 are rejected as allegedly obvious over Canadian Tax Journal in view of U.S. Patent Application No. 2002/0046154 (Pritchard). Claims 16 and 32 are rejected as allegedly obvious over Canadian Tax Journal in view of U.S. Patent No. 6,615,188 (Breen). Claim 17 is rejected as allegedly obvious over Canadian Tax Journal in view of U.S. Patent Application No. 2002/0099645 (Agarwal). Claims 20-21 and 36 are rejected as allegedly obvious over Canadian Tax Journal in view of U.S. Patent Application No. 2002/0023040 (Gilman et al.). Claims 40-42 are rejected as allegedly obvious over Canadian Tax Journal in view of U.S. Patent Application No. 2002/0087373 (Dickstein et al.). Claims 4-6, 16-17, 20-21, 32, 34, 36, 40-42 variously depend from claims 1, 22, and 38, and the additional references are relied on only for additional features of the dependent claims. Without prejudice to their individual merits, claims 4-6, 16-17, 20-21, 32, 34, 36, 40-42 are deemed to be allowable over the various combinations of references cited for at least the same reasons as their respective base claims are allowable over Canadian Tax Journal alone.

In addition, with reference to claim 17, the Office cites to paragraphs [0127] – [0129] of Agarwal as allegedly disclosing "wherein a dollar value spread is tighter in the bundled instrument security than in the ones of the plurality of securities." However, Agarwal does not disclose a bundled instrument security, and does not disclose a tightening dollar value spread.

Agarwal discloses only the well-known fact that in unbundled trades the basis point spread tends to decrease as the size of the trade increases, but decreases more slowly than the size of the trade increases, so that the dollar value spread increases as the size of the trade increases. In fact, dollar value spreads cannot meaningfully be compared between trades of different sizes.

For all of the above reasons, the rejections of claims 1-42 are without merit as applied to the claims now presented, and should be withdrawn.

CONCLUSION

For all of the foregoing reasons, the application is in condition for allowance. Withdrawal of all rejections and allowance of claims 1-42 are respectfully requested. An early notice of allowance of those claims is earnestly solicited.

Respectfully submitted,

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BY: _____

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